

RESULTS AS AT 30th JUNE 2018
Positive unit revenue securing stable operating result excluding strikes
SECOND QUARTER 2018

Air France-KLM leveraged the solid ongoing demand to generate revenues up +4.0% at constant currency:

- Number of passengers carried at 26 million up 0.8% compared to last year,
- Group unit revenue up 1.7% at constant currency, driven by premium traffic performance.

The Group delivered an operating result at a similar level to last year before the impact of Air France strikes:

- Operating result¹ at 345 million euros, 241 million euros lower than last year, including a strike impact of around 260 million euros,
- Unit costs¹ up 2.4% at constant currency, fuel and pension charges, with underlying structural unit cost savings of -0.7% offset by a strike effect of +3.1%.

The net debt¹ has been further reduced by 315 million euros compared to 31 December 2017, and the net debt/EBITDA¹ ratio is stable at 1.4x on 30 June 2018 compared to 31 December 2017.

OUTLOOK FOR FULL YEAR 2018

The Group will continue to work on yield improvement in the context of an increased fuel bill:

- Long-haul forward booking load factors remain ahead of last year for the next four months,
- Third quarter and full year 2018 unit revenue expected to be positive at constant currency compared to last year,
- Capacity increases remain in the expected range of 2.5% to 3.5% for the Passenger network.

Unit cost target is maintained at between 0% and +1.0% at constant currency, fuel and pension charges, including strike-related costs and the associated capacity adjustments incurred in the first half of 2018.

Despite the strike impact of 335 million euros in the first half that will weigh on the full year operating result, the Group is targeting a net debt reduction compared to 31 December 2017¹.

The Board of Directors of Air France-KLM, chaired by Anne-Marie Couderc, met on 31st July 2018 to approve the financial statements for the first half 2018.

Air France-KLM Group	Second Quarter		First Half	
	2018	Change ¹	2018	Change ¹
Passengers (thousands)	26,440	+0.8%	48,454	+2.8%
Unit revenue per ASK ² (€ cts)	6.60	+1.7%	6.43	+1.4%
Operating result (€m)	345	-241	228	-325
Net result – group ³ (€m)	109	-484	-159	-609
Operating free cash flow (€m)	-1	-335	141	-517
Net debt at end of period (€m)			6,256	-315

¹ Since January 1st, 2018, Air France-KLM Group has applied the new accounting standards IFRS 9, 15 and 16. For the purpose of comparison, the Group consolidated financial statements have been restated as of 1st January 2017.

² Change at constant currency

³ Net result, group share 2017 restated for IFRS16 contains a positive impact of €254 million in the second quarter 2018 and €313 million in the first half 2018 due to an exchange rate gain on lease debt in USD.

Second quarter 2018 business review

Network: Positive business environment with strikes impacting operating result

Network	Second Quarter			First Half		
	2018	Change	Change constant currency	2018	Change	Change constant currency
Capacity (EASK m)	81,934	-0.2%		158,927	+1.3%	
Total revenues (€m)	5,696	-1.2%	+2.7%	10,786	-0.3%	+3.5%
Scheduled revenues (€m)	5,394	-2.2%	+1.9%	10,229	-0.8%	+3.1%
Unit revenue per EASK (€ cts)	6.58	-2.0%	+2.0%	6.44	-2.0%	+1.8%
Unit cost per EASK (€ cts)	6.30	+2.7%	+2.8%	6.34	+1.2%	+2.4%
Operating result (€m)	236	-245	-188	150	-321	-285

In the second quarter 2018, as a result of twelve days of strikes at Air France, capacity decreased by -0.2%. However, thanks to a positive business environment, the Group managed +2.7% growth in network revenues at constant currency compared to last year. The driver for this growth was a strong unit revenue performance in both Passenger and Cargo, partly offsetting the negative impact from fuel costs.

The combined Passenger and Cargo operating result amounted to 236 million euros for the second quarter 2018, a decrease of 188 million euros compared to last year at constant currency.

Passenger: Long haul, hubs and point-to-point contributing to positive unit revenue performance

Passenger network	Second Quarter			First Half		
	2018	Change	Change constant currency	2018	Change	Change constant currency
Passengers (thousands)	21,853	-0.0%		41,140	+2.0%	
Capacity (ASK m)	72,821	+0.1%		140,995	+1.6%	
Traffic (RPK m)	63,425	+0.6%		122,537	+2.6%	
Load factor	87.1%	+0.4 pt		86.9%	+0.9 pt	
Total passenger revenues (€m)	5,154	-1.6%	+2.4%	9,699	-0.6%	+3.2%
Scheduled passenger revenues (€m)	4,928	-2.3%	+1.7%	9,286	-1.0%	+2.9%
Unit revenue per ASK (€ cts)	6.77	-2.5%	+1.6%	6.59	-2.5%	+1.3%

The Air France pilot strike had a -2.5% negative impact on second quarter 2018 capacity, resulting in stable capacity and passenger numbers, the latter standing at 21.9 million.

Strong ongoing demand made it possible to increase unit revenues at constant currency, partially compensating the higher fuel bill: the overall unit revenue per Available Seat Kilometer increased by 1.6%.

In particular, the medium-haul network unit revenue performance was stronger than in the previous quarters, with an increase of 4.3% at constant currency. On the medium-haul hub network, the unit revenue was up 5.0% at constant currency, with both hubs contributing positively to the performance. On the point-to-point network in France, capacity was reduced substantially by 7.8% compared to last year in response to the increased TGV competition, and the unit revenue was up 2.9% at constant currency.

The long-haul network again benefitted from a dynamic demand environment in the Group's core markets, resulting in a unit revenue increase of 0.9% at constant currency. In line with the first quarter 2018, both the North American and Latin American networks were positively oriented with unit revenue increases of respectively +3.6% and +2.7% at constant currency. The Asian network's unit revenue decreased by -1.9% at constant currency, mostly owing to the ramp up of additional capacity on Indian subcontinent routes and more volatile demand from other Asian points of sale.

Cargo: increase in unit revenues drives revenue growth

Cargo business	Second Quarter			First Half		
	2018	Change	Change constant currency	2018	Change	Change constant currency
Tons (thousands)	275	-3.8%		545	-2.3%	
Capacity (ATK m)	3,532	-2.5%		6,947	-1.0%	
Traffic (RTK m)	2,096	-2.2%		4,132	-1.4%	
Load factor	59.3%	+0.2 pt		59.5%	-0.2 pt	
Total Cargo revenues (€m)	543	+2.1%	+6.0%	1,086	+2.3%	+6.9%
Scheduled cargo revenues (€m)	467	-0.4%	+3.6%	943	+0.9%	+5.6%
Unit revenue per ATK (€ cts)	13.22	+2.2%	+6.3%	13.58	+2.0%	+6.8%

Capacity decreased by 2.5% in the second quarter 2018 compared to last year, following the replacement at KLM of three 747 Combi aircraft by 787s and some flight cancellations due to the Air France strikes.

The Cargo business continued its turnaround in the second quarter 2018, with market demand remaining strong, especially on the Americas and Asia. The overall unit revenue increased by 6.3% at constant currency.

Transavia: Strong capacity growth in France and a solid unit revenue performance have a positive impact on the operating result

Transavia	Second Quarter		First Half	
	2018	Change	2018	Change
Passengers (thousands)	4,587	+5.2%	7,314	+7.4%
Capacity (ASK m)	8,722	+6.1%	13,951	+7.6%
Traffic (RPK m)	8,023	+8.3%	12,830	+11.1%
Load factor	92.0%	+1.8 pt	92.0%	+2.9 pt
Total passenger revenues (€m)	453	+11.0%	688	+13.7%
Unit revenue per ASK (€ cts)	5.17	+4.5%	4.85	+5.5%
Unit cost per ASK (€ cts)	4.47	+1.5%	4.82	+1.6%
Operating result (€m)	61	+17	3	+23

Transavia carried 4.6 million passengers in the second quarter 2018, an increase of 5.2% compared to last year. Transavia France's capacity saw strong growth of +19.4%, while Transavia Netherlands capacity was slightly down at -1.4%. Despite the negative effect of the shift in Easter peak leisure traffic from the month of April to March, traffic grew by 8.3%, increasing the load factor by 1.8 pt compared to last year. The unit revenue was up by 4.5% compared to last year.

The second quarter 2018 operating result stood at 61 million euros, an improvement of 17 million euros compared to last year with both Transavia France and Transavia Netherlands delivering a positive and improving operating result.

Maintenance: Strong increase in third-party revenues

Maintenance	Second Quarter			First Half		
	2018	Change	Change constant currency	2018	Change	Change constant currency
Total revenues (€m)	1,007	+1.4%		2,082	+2.6%	
Third party revenues (€m)	471	+6.8%	+15.8%	941	+5.7%	+16.2%
Operating result (€m)	46	-16	-3	72	-34	-18
Operating margin (%)	4.6%	-1.7 pt	-0.6 pt	3.5%	-1.8 pt	-1.2 pt

Maintenance revenues increased in the second quarter 2018 compared to last year, with third-party revenues up by 15.8% at constant currency, driven by a strong performance from the Engine activity. The operating margin expressed as a percentage of total revenues stood at 4.6%, a decrease of 0.6 points at constant currency.

The Maintenance order book stood at 10.5 billion dollars at the end of the second quarter 2018, a decrease of 0.3 billion dollars compared to the end of 2017, caused by the withdrawal of Alitalia contracts from the order book and partially offset by new Component and Engine contracts.

Air France-KLM Group: Revenue up at constant currency in the second quarter 2018, operating result at 345 million euros, with a 260 million euro strike impact

	Second Quarter			First Half		
	2018	Change	Change constant currency	2018	Change	Change constant currency
Capacity (EASK m)	90,656	+0.4%		172,877	+1.8%	
Capacity excl. Cargo (ASK m)	81,543	+0.8%		154,946	+2.1%	
Revenues (€m)	6,625	+0.0%	+4.0%	12,432	+0.8%	+4.9%
EBITDA (€m)	1,048	-244	-173	1,670	-270	-216
Operating result (€m)	345	-241	-171	228	-325	-277
Operating margin (%)	5.2%	-3.6 pt	-2.9 pt	1.8%	-2.7 pt	-2.4 pt
Net result, group share (€m)	109	-484		-159	-609	

In the second quarter 2018, the Air France-KLM Group realized an operating result of 345 million euros, down by 241 million euros compared to last year.

This decrease is mainly explained by the strikes at Air France with a negative impact of around 260 million euros, the fuel price increase and currency headwinds having been partly offset by higher unit revenues.

Unit revenue contributed positively with 121 million euros and unit cost showed a negative effect of 129 million euros, both including strike-related effects.

The fuel bill including fuel hedging amounted to 1,184 million euros, up 24 million euros, and up 160 million euros at constant currency, due to the increase in the jet fuel price. The positive fuel hedge result realized in second quarter 2018 stood at 212 million euros.

Currencies had a negative 259 million euro impact on revenues compared to last year. The positive impact on costs reached 189 million euros, including a tailwind from currency hedging. In the second quarter 2018, the net impact of currencies thus amounted to a negative 70 million euros.

Unit cost on track for full year guided target range of 0% to +1%

On a constant currency, fuel price and pension-related expense basis, the unit cost was up +2.4% in the second quarter 2018, of which +3.1% resulting from the strikes at Air France.

Productivity impacted by capacity growth lower than planned

Lower-than-planned capacity growth affected productivity in second quarter 2018: with a capacity increase limited to 0.4%, productivity decreased by -1.1% measured in EASK.

The average number of staff increased by 1,250 FTEs including +150 FTEs in Pilots and +400 FTEs in Cabin crew driven by flight crew hiring ahead of the ramp-up of H2 2018 capacity growth. Ground staff increased by 700 FTEs, of which +460 FTEs at KLM.

Net employee costs in the first quarter 2018 were up 2.0% compared to last year.

Further reduction in net debt in the first half 2018

In € million	Second Quarter		First Half	
	2018	Change	2018	Change
Cash flow before change in WCR and Voluntary Departure Plans, continuing operations (€m)	921	-174	1,434	-222
Cash out related to Voluntary Departure Plans (€m)	-98	-62	-121	-48
Change in Working Capital Requirement (WCR) (€m)	26	-138	833	-13
Net cash flow from operating activities (€m)	849	-374	2,146	-283
Net investments before sale & lease-back* (€m)	-575	66	-1,488	-222
Operating free cash flow (€m)	274	-308	658	-505
Reduction of lease debt	-275	-27	-517	-12
Adjusted operating free cash flow **	-1	-335	141	-517

* Sum of 'Purchase of property, plant and equipment and intangible assets' and 'Proceeds on disposal of property, plant and equipment and intangible assets' as presented in the consolidated cash flow statement.

** With the implementation of the new accounting standards IFRS 16, the cash-out related to the repayment of lease debt is not deducted from "Operating free cash flow". The "Adjusted operating free cash" is Operating free cash flow" with deduction of the repayment of lease debt.

Adjusted operating free cash flow at a positive 141 million euros for the first half 2018

The Group generated an adjusted operating free cash flow of 141 million euros in the first half 2018, a reduction of 517 million euros compared to last year. The decline resulted from the strike impact and a net 222 million euro increase in investments.

Net debt reduction driven by adjusted operating free cash flow generation and repayment of lease debt

In million euros	30 June 2018	31 Dec 2017
Net debt	6,256	6,571
EBITDA ¹	4,508	4,779
Net debt/EBITDA¹	1.4 x	1.4 x

At 30 June 2018, net debt had been further reduced to 6,256 million euros versus 6,571 million euros at 31 December 2017, an improvement of 315 million euros driven by operating free cash flow and the repayment of lease debt.

The net debt/EBITDA ratio remained stable at 1.4x at 30 June 2018 compared to 31 December 2017.

¹ Sliding 12 months

Air France impacted by strike, KLM EBITDA stable and operating result close to last year in the second quarter 2018

	Second Quarter		First Half	
	2018	Change	2018	Change
Air France Group (€m)	13	-231	-164	-351
Operating margin (%)	0.3%	-5.8 pt	-2.2%	-4.7 pt
KLM Group (€m)	328	-23	388	+9
Operating margin (%)	11.7%	-1.2 pt	7.5%	-0.2 pt

Air France Second Quarter 2018 operating income was down by -231 million euros due to strikes. KLM operating income was almost stable compared to last year.

Outlook

The global context remains uncertain given the current geopolitical environment, labour wage inflation pressure and rising fuel price trends.

As a consequence, the following guidance elements have been adjusted for full year 2018:

- The 2018 fuel bill is expected to increase by 450 million euros¹ compared to last year based on the forward curve of 27 July 2018 and after a positive hedge result of 850 million dollars.
- A currency headwind of around 150 million euros is expected due to the strengthening of the Dollar compared to Euro.

Demand remains positively oriented within a positive business environment:

- The latest available data from the Passenger network show a continuing positive demand trend for July to November 2018: the current long-haul forward bookings for the coming four months are ahead of last year levels.
- Passenger Network unit revenue is expected to be positive at constant currency in the third quarter 2018. Given the unit revenue performance in the first half 2018 and this third quarter forecast, full year Passenger Network unit revenue is expected to be positive at constant currency compared to last year.
- Transavia capacity growth +8-9%, slightly accelerated to benefit from dynamic market demand.

The Group maintains unchanged the following guidance elements for full year 2018:

- Capacity increase of 2.5% to 3.5% for the Passenger network.
- Unit cost target between 0% and +1.0% at constant currency, fuel and pension charges, including strike-related costs and the associated capacity adjustments incurred in the first half of 2018.
- Investment plan to be managed in the 2.0 billion to 2.5 billion euro target range.
- Net debt reduction compared to 31 December 2017¹ despite the strike impact on the operating result.

The management will maintain prudent steering of the Group's financial structure and growth plan.

¹ Based on the forward curves of 27 July 2018, 2018 average Brent price of USD 73, jet fuel price including into plane of USD 748 per ton and a EUR/USD exchange rate of 1.19 in 2018

Strategic partnerships

Delivering on our partnerships strategy

During the first semester, Air France-KLM continued to strengthen its airlines partnerships, supporting its strategy to grow profitably and offer its customers an unrivalled commercial proposition.

- The expansion of the North-Atlantic joint-venture, announced on July 27th 2017, has gone through major steps with the signature of the final agreement on May 15th 2018 between Air France-KLM, Delta and Virgin Atlantic and the Anti-Trust Immunity filing with the US authorities on July 20th. Besides, Air France-KLM and Virgin Atlantic are in discussions for a strategic cooperation on other parts of the world to leverage a worldwide combined offer for our customers.
- The group has further strengthened its position in China. First, in line with China Eastern's investment in Air France-KLM, the two partners announced on July 19th an enhanced joint-venture aiming at implementation in 2019. Second, the group announced on July 16th the merger of its joint-ventures with China Southern and Xiamen Airlines into a single one.
- Other partnerships have been through major developments. The enhanced cooperation with Jet Airways, announced on November 29th 2017, is progressing at a fast pace and delivering promising results. Air France has also resumed its cooperation with Qantas, providing excellent connections to Australia *via* Singapore and Hong Kong, partnership that will be extended to KLM.

Besides, the group is in discussions with Air Europa, aiming at a joint-venture cooperation between Europe and Central/South America, strengthening joint position on this network.

Limited review procedures were carried out by the external auditors. Their limited review report was issued following the Board meeting.

The results presentation is available at www.airfranceklm.com on 1st August 2018 from 7:15 am CET.

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Income Statement

<i>In millions euros</i>	Second Quarter			First Half		
	2018	2017	Change	2018	2017	Change
Sales	6,625	6,627	-0.0%	12,432	12,332	+0.8%
Other revenues	0	0	<i>nm</i>	0	0	<i>nm</i>
Revenues	6,625	6,627	-0.0%	12,432	12,332	+0.8%
Aircraft fuel	-1,184	-1,160	+2.0%	-2,245	-2,280	-1.5%
Chartering costs	-146	-130	+12.6%	-276	-256	+7.8%
Landing fees and en route charges	-479	-495	-3.3%	-906	-932	-2.8%
Catering	-193	-203	-4.9%	-375	-388	-3.4%
Handling charges and other operating costs	-504	-437	+15.3%	-980	-856	+14.5%
Aircraft maintenance costs	-566	-593	-4.5%	-1,183	-1,185	-0.2%
Commercial and distribution costs	-278	-238	+17.0%	-510	-466	+9.4%
Other external expenses	-430	-367	+17.2%	-824	-725	+13.7%
Salaries and related costs	-1,959	-1,913	+2.4%	-3,812	-3,725	+2.3%
Taxes other than income taxes	-38	-38	+1.2%	-87	-83	+4.8%
Other income and expenses	200	239	-16.3%	436	504	-13.5%
EBITDA	1,048	1,292	-18.9%	1,670	1,940	-13.9%
Amortization, depreciation and provisions	-703	-706	-0.4%	-1,442	-1,387	+4.0%
Income from current operations	345	586	-41.1%	228	553	-58.8%
Sales of aircraft equipment	0	10	-97.6%	-4	19	<i>nm</i>
Other non-current income and expenses	20	-4	<i>nm</i>	-23	-11	+109.1%
Income from operating activities	365	592	-38.3%	201	561	-64.2%
Cost of financial debt	-122	-149	-18.0%	-236	-298	-20.8%
Income from cash and cash equivalent	10	11	-12.2%	20	20	+0.0%
Net cost of financial debt	-112	-138	-18.5%	-216	-278	-22.3%
Other financial income and expenses	-86	328	<i>nm</i>	-74	374	<i>nm</i>
Income before tax	167	782	-78.6%	-89	657	<i>nm</i>
Income taxes	-62	-184	-66.4%	-68	-205	-66.8%
Net income of consolidated companies	105	598	-82.4%	-157	452	<i>nm</i>
Share of profits (losses) of associates	5	4	+25.0%	-1	7	<i>nm</i>
Income from continuing operations	110	602	-81.7%	-158	459	<i>nm</i>
Net income from discontinued operations	0	-8	-100.0%	0	-8	-100.0%
Net income for the period	110	594	-81.5%	-158	451	<i>nm</i>
Minority interest	-1	-1	-13.0%	-1	-1	+0.0%
Net income for the period - Group	109	593	-81.6%	-159	450	<i>nm</i>

Consolidated Balance Sheet

Assets		30 June 2018	31 Dec 2017
<i>In million euros</i>			
Goodwill		216	216
Intangible assets		1,162	1,122
Flight equipment		10,081	9,634
Other property, plant and equipment		1,443	1,418
Right-of-use assets		5,565	5,915
Investments in equity associates		294	301
Pension assets		688	590
Other financial assets		1,372	1,242
Deferred tax assets		258	422
Other non-current assets		301	239
Total non-current assets		21,380	21,099
Assets held for sale		0	0
Other short-term financial assets		376	421
Inventories		641	557
Trade receivables		2,680	2,164
Other current assets		1,728	1,242
Cash and cash equivalents		4,074	4,674
Total current assets		9,499	9,058
Total assets		30,879	30,157

Liabilities and equity		30 June 2018	31 Dec 2017
<i>In million euros</i>			
Issued capital		429	429
Additional paid-in capital		4,139	4,139
Treasury shares		-67	-67
Perpetual		600	600
Reserves and retained earnings		-2,520	-2,713
Equity attributable to equity holders of Air France-KLM		2,581	2,388
Non-controlling interests		13	12
Total Equity		2,594	2,400
Pension provisions		2,141	2,202
Other provisions		3,206	3,006
Financial debt		5,951	5,919
Lease debt		4,016	4,153
Deferred tax liabilities		42	11
Other non-current liabilities		235	361
Total non-current liabilities		15,591	15,652
Provisions		147	282
Current portion of financial debt		688	1,378
Current portion of lease debt		922	993
Trade payables		2,548	2,365
Deferred revenue on ticket sales		4,283	3,017
Frequent flyer programs		829	819
Other current liabilities		3,268	3,245
Bank overdrafts		9	6
Total current liabilities		12,694	12,105
Total equity and liabilities		30,879	30,157

Consolidated Statement of Cash Flows from 1st January until 30th June 2018

<i>In million euros</i>	30 June 2018	30 June 2017
Net income from continuing operations	-158	459
Net income from discontinued operations	0	-8
Amortization, depreciation and operating provisions	1,442	1,387
Financial provisions	57	56
Loss (gain) on disposals of tangible and intangible assets	7	-19
Loss (gain) on disposals of subsidiaries and associates	0	-2
Derivatives – non monetary result	-23	28
Unrealized foreign exchange gains and losses, net	108	-461
Impairment	0	0
Other non-monetary items	-182	-40
Share of (profits) losses of associates	1	-7
Deferred taxes	61	190
Financial Capacity	1,313	1,583
<i>Of which discontinued operations</i>	<i>0</i>	<i>0</i>
(Increase) / decrease in inventories	-67	-53
(Increase) / decrease in trade receivables	-517	-294
Increase / (decrease) in trade payables	163	-31
Change in other receivables and payables	1,254	1,224
Change in working capital requirements	833	846
<i>Change in working capital from discontinued operations</i>	<i>0</i>	<i>0</i>
Net cash flow from operating activities	2,146	2,429
Purchase of property, plant and equipment and intangible assets	-1,534	-1,339
Proceeds on disposal of property, plant and equipment and intangible assets	46	73
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	3	3
Acquisition of subsidiaries, of shares in non-controlled entities	-8	0
Dividends received	3	1
Decrease (increase) in net investments, more than 3 months	5	-258
<i>Net cash flow used in investing activities of discontinued operations</i>	<i>0</i>	<i>0</i>
Net cash flow used in investing activities	-1,485	-1,520
Increase of capital	0	0
Sale of minority interest without change in control	0	0
Issuance of debt	295	324
Repayment on financial debt	-998	-382
Payments on leases debt	-517	-505
Decrease (increase) in loans, net	-49	-50
Dividends and coupons on perpetual paid	-1	-1
<i>Net cash flow used in financing activities of discontinued operations</i>	<i>0</i>	<i>0</i>
Net cash flow from financing activities	-1,270	-614
Effect of exchange rate on cash and cash equivalents and bank overdrafts	8	-22
<i>Effect of exch. rate on cash and cash eq. and bank overdrafts of disc. ops.</i>	<i>0</i>	<i>0</i>
Change in cash and cash equivalents and bank overdrafts	-601	273
Cash and cash equivalents and bank overdrafts at beginning of period	4,667	3,933
Cash and cash equivalents and bank overdrafts at end of period	4,066	4,206
<i>Change in treasury of discontinued operations</i>	<i>0</i>	<i>0</i>

Key Performance Indicators

EBITDA

<i>In millions euros</i>	Second Quarter		First Half	
	2018	2017	2018	2017
Income/(loss) from current operations	345	586	228	553
Amortization, depreciation and provisions	703	706	1,442	1,387
EBITDA	1,048	1,292	1,670	1,940

Restated net result, group share

<i>In million euros</i>	Second Quarter		First Half	
	2018	2017	2018	2017
Net income/(loss), Group share	109	593	-159	450
Net income/(loss) from discontinued operations	0	8	0	8
Unrealized foreign exchange gains and losses, net	132	-405	108	-461
Change in fair value of financial assets and liabilities (derivatives)	-74	-12	-60	-18
Non-current income and expenses	-20	-6	27	-8
Depreciation of shares available for sale	-22	134	-22	134
De-recognition of deferred tax assets	0	0	0	0
Restated net income/(loss), group share	125	312	-106	105
Coupons on perpetual	-12	-6	-12	-12
Restated net income/(loss), group share including coupons on perpetual (used to calculate earnings per share)	113	306	-118	93
Restated net income/(loss) per share (in €)	0.25	1.23	-0.28	0.31

Return on capital employed (ROCE)¹

<i>In million euros</i>	30 June 2018	30 June 2017	30 June 2017	30 June 2016
Goodwill and intangible assets	1,378	1,309	1,309	1,238
Flight equipment	10,081	9,539	9,539	8,856
Other property, plant and equipment	1,443	1,378	1,378	1,414
Right of use assets	5,565	5,553	5,553	5,778
Investments in equity associates	294	294	294	73
Financial assets excluding shares available for sale, marketable securities and financial deposits	122	106	106	90
Provisions, excluding pension, cargo litigation and restructuring	-2,944	-2,619	-2,619	-2,544
WCR, excluding market value of derivatives	-6,669	-6,418	-6,418	-6,155
Capital employed	9,270	9,142	9,142	8,750
Average capital employed (A)	9,206	9,142	9,142	8,946
Adjusted results from current operations	1,610		1,574	
- Dividends received	-3		-2	
- Share of profits (losses) of associates	13		0	
- Tax recognized in the adjusted net result	-481		-467	
Adjusted result from current operations after tax (B)	1,139		1,105	
ROCE, trailing 12 months (B/A)	12.4%		12.3%	

¹ The ROCE definition has been updated within the framework of IFRS 16 implementation. The asset value linked to the aircraft lease contracts now corresponds to the net book value of the right-of-use asset of all the lease contracts. Moreover, the "operating result, adjusted for operating leases" no longer existing having been replaced by "income from current operations" which, thanks to IFRS 16 implementation, no longer includes the financial cost of lease contracts. Finally, the Group now uses a normative income tax rate, calculated according to the tax rates applied in France and in the Netherlands.

Net debt

<i>In million euros</i>	Balance sheet at	
	30 June 2018	31 Dec 2017
Current and non-current financial debt	6,639	7,297
Deposits on aircraft under finance lease	4,510	4,718
Financial assets pledged (OCEANE swap)	0	0
Currency hedge on financial debt	10	19
Accrued interest	-50	-76
Gross financial debt (A)	11,109	11,958
Cash and cash equivalents	4,074	4,674
Marketable securities	73	73
Cash pledges	265	269
Deposits (bonds)	450	379
Bank overdrafts	-9	-6
Other	0	-2
Net cash (B)	4,853	5,387
Net debt (A) – (B)	6,256	6,571

Adjusted operating free cash flow

<i>In million euros</i>	Second Quarter		First Half	
	2018	2017	2018	2017
Net cash flow from operating activities, continued operations	849	1,223	2,146	2,429
Investment in property, plant, equipment and intangible assets	-595	-671	-1,534	-1,339
Proceeds on disposal of property, plant, equipment and intangible assets	20	30	46	73
Operating free cash flow	274	582	658	1,163
Payments on lease debt	-275	-248	-517	-505
Adjusted operating free cash flow	-1	334	141	658

Unit cost: net cost per EASK

	Second Quarter		First Half	
	2018	2017	2018	2017
Revenues (in €m)	6,625	6,627	12,432	12,332
Income/(loss) from current operations (in €m)	-345	-586	-228	-553
Total operating expense (in €m)	6,282	6,041	12,204	11,779
Passenger network business – other revenues (in €m)	-226	-191	-414	-380
Cargo business – other revenues (in €m)	-76	-63	-143	-127
Third-party revenues in the maintenance business (in €m)	-471	-441	-941	-890
Transavia - other revenues (in €m)	-1	-1	-11	-11
Third-party revenues of other businesses (in €m)	-8	-9	-17	-19
Net cost (in €m)	5,498	5,336	10,678	10,352
Capacity produced, reported in EASK*	90,656	90,293	172,877	169,900
Net cost per EASK (in € cents per EASK)	6.07	5.91	6.18	6.09
<i>Gross change</i>		2.7%		1.4%
Currency effect on net costs (in €m)		-149		-343
<i>Change at constant currency</i>		5.6%		4.9%
Fuel price effect (in €m)		160		243
<i>Change on a constant currency and fuel price basis</i>		2.5%		2.5%
Change in pension-related expenses (in €m)		7		13
Net cost per EASK on a constant currency, fuel price and pension-related expenses basis (in € cents per EASK)	6.07	5.93	6.18	6.04
<i>Change on a constant currency, fuel price and pension-related expenses basis</i>		+2.4%		+2.3%

* The capacity produced by the transportation activities is combined by adding the capacity of the Passenger network (in ASK) to that of Transavia (in ASK) and the Cargo business (in ATK) converted into EASK based on a separate fixed factor for Air France and for KLM..

Airline results

Air France Group

	Second Quarter		First Half	
	2018	Change	2018	Change
Revenue (in €m)	3,925	-1.9%	7,479	-1.4%
EBITDA (in €m)	439	-258	744	-334
Operating result (en m€)	13	-231	-164	-351
<i>Operating margin (%)</i>	0.3%	-5.8 pt	-2.2%	-4.7 pt
Operating cash flow before WCR and restructuring cash out (in €m)	371	-204	637	-283
<i>Operating cash flow (before WCR and restructuring) margin</i>	9.5%	-4.9 pt	8.5%	-3.6 pt

KLM Group

	Second Quarter		First Half	
	2018	Change	2018	Change
Revenue (in €m)	2,796	+2.8%	5,182	+4.9%
EBITDA (in €m)	603	+3	916	+49
Operating result (en m€)	328	-23	388	+9
<i>Operating margin (%)</i>	11.7%	-1.2 pt	7.5%	-0.2 pt
Operating cash flow before WCR and restructuring cash out (in €m)	542	+17	787	+50
<i>Operating cash flow (before WCR and restructuring) margin</i>	19.4%	+0.1 pt	15.2%	+0.3 pt

NB: Sum of individual airline results does not add up to Air France-KLM total due to intercompany eliminations at Group level

Group fleet at 30th of June 2018

Aircraft type	AF (incl. HOP)	KLM (incl. KLC & MP)	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/17
B747-400		12		12			12	12	-1
B777-300	43	14		10	25	22	57	57	
B777-200	25	15		24	1	15	40	40	
B787-9	6	12		3	3	12	18	18	3
A380-800	10			1	4	5	10	10	
A340-300	7			7			7	6	-1
A330-300		5				5	5	5	
A330-200	15	8		11		12	23	23	
Total Long-Haul	106	66	0	68	33	71	172	171	1
B737-900		5		1	1	3	5	5	
B737-800		27	65	26	8	58	92	92	5
B737-700		18	8	3	8	15	26	26	
A321	20			11		9	20	20	
A320	43			2	6	35	43	43	1
A319	35			20	2	13	35	35	-3
A318	18			12	6		18	18	
Total Medium-Haul	116	50	73	75	31	133	239	239	3
ATR72-600	6					6	6	6	
ATR72-500	2				1	1	2	2	-1
ATR42-500	8			4		4	8	6	-5
Canadair Jet 1000	14			14			14	14	
Canadair Jet 700	11			11			11	9	-2
Embraer 190	10	32		6	15	21	42	42	2
Embraer 175		17		5	12		17	17	5
Embraer 170	15			8	2	5	15	15	
Embraer 145	18			14	4		18	13	
Total Regional	84	49	0	62	34	37	133	124	-1
B747-400ERF		3		3			3	3	
B747-400BCF		1		1			1	1	
B777-F	2			2			2	2	
Total Cargo	2	4	0	6	0	0	6	6	0
Total	308	169	73	211	98	241	550	540	3